
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item Number: 205

Proposition 218 Noticing for Water Rate Increases Related to the County Water Authority Pass-Through and the Indirect Potable Reuse Demonstration Project

On Monday, July 28 the Water Department brought forward a proposal to initiate a Proposition 218 public notification process for a water rate increase related to wholesale rate increases by the County Water Authority (CWA), known as “pass-through” rates. The City Council continued the item, with direction that it be returned with a proposal that the notification include both the CWA pass-through rate increase as well as a rate increase to fund the Indirect Potable Reuse (IPR) Demonstration Project, as approved by Council on October 29, 2007.

The IBA has reviewed the rate calculations for both the CWA pass-through and the IPR Demonstration Project, and we confirm the accuracy of the calculations. It should be noted that the estimated full cost of the IPR Demonstration Project is \$11.8 million, of which \$1.1 million will be funded through a Proposition 50 grant from the State. Therefore, the proposed rate increase is designed to generate \$10.7 million, the balance of the Project’s revenue requirement. The rate increase will be reversed upon generation of the revenues necessary for this two-year project.

The IBA supports a water rate increase as a means of funding the IPR Demonstration Project. While in the past we have suggested there may be alternate means of funding, a rate increase is certainly a valid option and in this case may be preferable, as it is transparent and would secure a dedicated source of funding that must be used for the

Demonstration Project. Finally, we also support the staff recommendation for selecting the notification that allows rate payers to protest either of the proposed rate increases individually (Attachment 1 to the staff report), as it provides more information on the rate impacts for each of the proposed increases, and provides clear and distinct options for public feedback.

[SIGNED]

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